

# FDIC State Profile

Winter 2005

## Georgia

Growth in Georgia continues but is below the national pace.

- Georgia's job growth improved slightly from a year ago but continues to greatly lag the national average (see Chart 1). In third quarter 2005, employment was up 0.9 percent from a year earlier, or about half of the U.S. average. Job growth varied significantly with the **Columbus** and **Macon** metropolitan areas suffering outright job losses. **Atlanta** remains vulnerable due to ongoing difficulties at its largest private employer, Delta Airlines and General Motors's recent decision to close its metro Atlanta assembly plant, which will displace about 3,100 workers by 2008. State economic development officials are heavily lobbying Ford Motor Company to maintain its assembly plant in **Hapeville**. An additional 350 manufacturing jobs will be lost in **Albany** with the 2006 closure of the Merck pharmaceutical plant.

Chart 1: Georgia Job Growth Lags the Nation

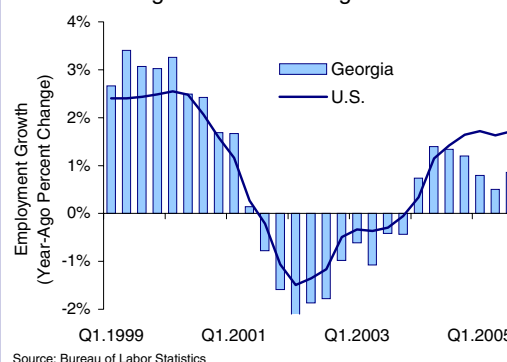
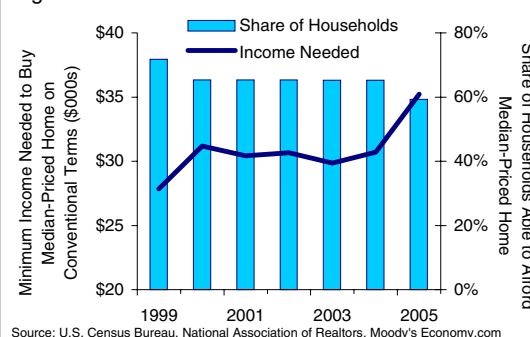


Chart 2: Affordability in Georgia May Suffer From Higher Interest Rates



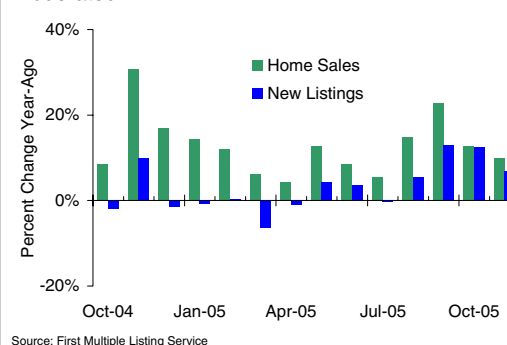
Home price appreciation has reduced affordability.

- According to the Office of Federal Housing Enterprise Oversight, home prices in Georgia appreciated 6.1 percent for the 12 months ending September 30, 2005. Steady appreciation during the past five years has pushed home prices to a record level of 3.7 times household income. Moreover, affordability has been reduced as 59 percent of households in Georgia have annual incomes of at least \$35,221, which is needed to purchase the median-priced home of \$150,888 using conventional financing (see Chart 2). In contrast, 65 percent of households had sufficient income to purchase the median-priced home at year-end 2004. Rising mortgage interest rates could further reduce affordability.

Housing markets are in a state of transition.

- A number of factors such as reduced affordability, higher mortgage interest rates, and lower homebuyer optimism are starting to weigh on the housing market. Recent trends suggest that an inflection point has been reached in some local housing markets as they have transitioned from a sellers' to a buyers' market. In the metro Atlanta housing market, growth in monthly sales of existing homes has moderated slightly and inventories have recently increased from the prior year (see Chart 3). At the same time, the

Chart 3: Growth in Home Sales in Atlanta Has Moderated



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inventory of unsold new homes has increased. Based on recent sales, it would take 10.5 months to fully absorb the inventory of unsold new homes, which compares unfavorably to the 4.3 months supply for the nation.

### Rising energy costs may hamper the state's economic growth.

- Energy costs have increased substantially in recent years. Nationwide, over 9 percent of wages and salaries are spent on energy—the highest since the late 1980s. In Georgia, per capita residential expenditures are estimated at \$1,437 and industry experts expect the burden of higher energy prices to rise even further in 2006 (see Chart 4).
- Rising energy prices are straining consumer budgets and may affect profits at area businesses. High gasoline prices will likely have a negative impact on the state's vital airline industry as consumers have less disposable income for vacations and businesses reduce their travel budgets. Other businesses that rely heavily on gasoline, such as transportation, manufacturing, and agriculture, may also be burdened by rising fuel prices.

### Financial pressures may weigh on consumers.

- The combination of rising energy costs, interest rates, insurance premiums, taxes, and debt servicing requirements may add stress to consumers' finances. Prior to the implementation of the new bankruptcy law in mid-October 2005, Georgia saw an increase in personal bankruptcy filings, which will likely be followed by a decline later in the year. However, the accumulating pressures building on consumers may contribute to a rise in filings in 2006.

### Branch office openings have increased.

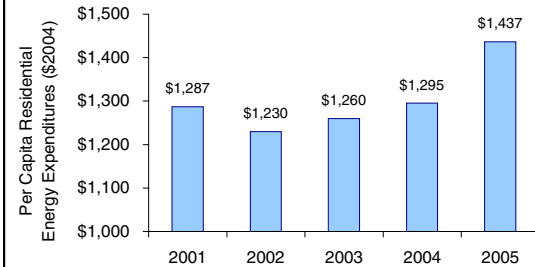
- Annual Summary of Deposit data collected by the FDIC as of June 30, 2005, shows that Georgia added 47 banking offices from a year ago. In contrast, the state added 120 offices in 2004. The 1.8 percent growth rate in offices during 2005 ranked 30<sup>th</sup> nationally. The growth was concentrated in Atlanta, **Athens**, and **Savannah**, while **Columbus** had five fewer offices. Far more branches were opened in urban areas resulting in a higher branch density per population than most rural counties (see Map 1).

### Banking conditions in the state of Georgia remain sound.

- Overall, Georgia community banks continued their solid performance.<sup>1</sup> Net income has been rising steadily since 2001 and finished the third quarter 2005 at \$536 million, up from \$423 million a year earlier. Net interest margins rose 10 basis points to 4.47percent at September 30, 2005, while return on assets gained 14 basis points to 1.33

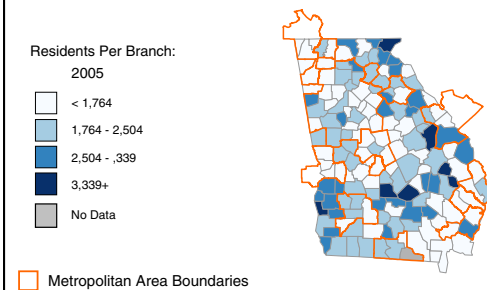
percent (see Chart 5). Robust loan growth contributed to the increase in net interest income.

**Chart 4: Georgia Residents Are Paying Significantly Higher Energy Bills Because of Run-up in Energy Prices**



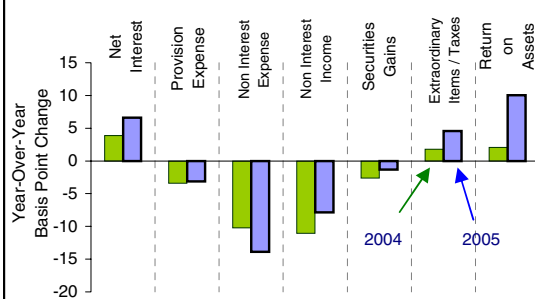
Sources: Energy Information Administration, Moody's Economy.Com, FDIC

**Map 1: Many Urban Counties Have a Low Number of Residents Per Branch**



Source: FDIC, Bureau of the Census, Moody's Economy.com

**Chart 5: Georgia Community Bank Return on Assets Benefited from Improved Efficiencies**



Source: FDIC, third quarter data.

<sup>1</sup>Commercial banks with assets less than \$1 billion (excludes specialty and de novo banks).

## Georgia at a Glance

**ECONOMIC INDICATORS** (Change from year ago, unless noted)

<b>Employment Growth Rates</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.9%	0.5%	1.3%	1.2%	-0.6%
Manufacturing (11%)	-0.6%	-1.7%	-0.5%	-1.5%	-3.1%
Other (non-manufacturing) Goods-Producing (5%)	1.3%	1.2%	1.4%	1.4%	-0.4%
Private Service-Producing (67%)	1.0%	0.6%	1.6%	1.7%	-0.6%
Government (17%)	1.1%	1.6%	1.6%	0.9%	1.2%
Unemployment Rate (% of labor force)	5.3	5.1	4.7	4.6	4.7

<b>Other Indicators</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Personal Income	N/A	6.8%	5.8%	5.9%	2.3%
Single-Family Home Permits	6.0%	2.9%	6.4%	8.7%	5.7%
Multifamily Building Permits	-20.1%	11.8%	-2.7%	30.6%	-28.0%
Existing Home Sales	14.4%	12.3%	27.4%	24.0%	0.1%
Home Price Index	6.1%	6.4%	5.5%	4.9%	3.9%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	9.40	8.31	8.71	8.87	10.11

**BANKING TRENDS**

<b>General Information</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Institutions (#)	347	346	347	344	345
Total Assets (in millions)	267,053	260,172	223,381	224,691	214,077
New Institutions (# < 3 years)	36	36	41	38	34
Subchapter S Institutions	63	63	58	58	55

<b>Asset Quality</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.41	1.36	1.42	1.47	1.72
ALLL/Total Loans (median %)	1.29	1.30	1.31	1.32	1.34
ALLL/Noncurrent Loans (median multiple)	2.46	2.39	2.38	2.21	2.07
Net Loan Losses / Total Loans (median %)	0.05	0.04	0.08	0.12	0.19

<b>Capital / Earnings</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Tier 1 Leverage (median %)	9.32	9.27	9.23	9.12	9.17
Return on Assets (median %)	1.27	1.20	1.16	1.09	1.03
Pretax Return on Assets (median %)	1.75	1.70	1.59	1.49	1.39
Net Interest Margin (median %)	4.51	4.40	4.33	4.28	4.23
Yield on Earning Assets (median %)	6.92	6.60	6.04	5.95	6.14
Cost of Funding Earning Assets (median %)	2.36	2.11	1.69	1.68	1.91
Provisions to Avg. Assets (median %)	0.22	0.23	0.22	0.25	0.25
Noninterest Income to Avg. Assets (median %)	0.74	0.74	0.76	0.75	0.80
Overhead to Avg. Assets (median %)	2.97	2.98	3.01	3.03	3.07

<b>Liquidity / Sensitivity</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Loans to Assets (median %)	73.6	73.8	74.0	72.9	71.8
Noncore Funding to Assets (median %)	26.9	25.1	23.5	23.9	21.7
Long-term Assets to Assets (median %, call filers)	6.4	7.1	8.3	8.4	9.8
Brokered Deposits (number of institutions)	192	179	147	154	116
Brokered Deposits to Assets (median % for those above)	7.2	7.8	7.0	6.9	5.7

<b>Loan Concentrations (median % of Tier 1 Capital)</b>	<b>Q3-05</b>	<b>Q2-05</b>	<b>Q3-04</b>	<b>2004</b>	<b>2003</b>
Commercial and Industrial	78.9	81.9	86.2	85.1	84.6
Commercial Real Estate	392.9	386.5	359.2	354.0	321.4
<i>Construction &amp; Development</i>	134.1	121.7	111.4	107.8	80.3
<i>Multifamily Residential Real Estate</i>	5.4	5.1	5.4	5.4	4.2
<i>Nonresidential Real Estate</i>	197.7	204.7	200.0	200.2	197.3
Residential Real Estate	161.5	166.4	164.5	166.4	171.3
Consumer	40.7	42.6	47.8	48.0	55.8
Agriculture	10.5	11.1	11.6	11.1	11.2

**BANKING PROFILE**

<b>Largest Deposit Markets</b>	<b>Institutions in Market</b>	<b>Deposits (\$ millions)</b>	<b>Asset Distribution</b>	<b>Institutions</b>
Atlanta-Sandy Springs-Marietta, GA	138	94,461	< \$250 million	252 (72.6%)
Chattanooga, TN-GA	26	6,612	\$250 million to \$1 billion	84 (24.2%)
Augusta-Richmond County, GA-SC	16	5,486	\$1 billion to \$10 billion	10 (2.9%)
Savannah, GA	21	4,620	> \$10 billion	1 (0.3%)
Columbus, GA-AL	13	4,541		